

## Tax Reforms in Kazakhstan

Changes in the tax laws since 1 January 2007:

*Individual income tax.* Before, the annual income of individuals was levied from 5 to 20%. From 1 January 2007 the progressive scale was replaced by a flat rate of 10%. At the same time, nontaxable income increased from 1000 to 9000 KZT.

*Social tax.* Social tax in Kazakhstan has regressive rates from 20 to 7%. Tax base is the wage expense paid by employers. From 1 January 2008 rates will be reduced from 13 to 5%.

*Value added tax.* There are two innovations. First, the VAT rate will be reduced step by step from 2007 to 2009. In 2007 the rate was reduced from 15% to 14%, in 2008 it will be 13%, and finally 12% in 2009. Second, a new special VAT regime has already been introduced for companies that use agricultural products to produce their goods. The VAT can be reduced by 70%.

*Special tax regime.* Small businesses in Kazakhstan have a special tax regime with simpler tax regulations. They pay only one income tax instead of ordinary income tax and social tax based on their gross revenue. From 1 January 2007, the rate of the tax was reduced to 3%.

*Dividend taxation.* From 1 January 2007 the double dividend taxation was abolished. Before, dividends paid to corporations were taxed. Dividends paid to individuals are subject to 5% tax. Last year, the rate was 15% for everybody.

This year only one law was drafted. The draft aims to improve tax administration and simplify tax procedures. This draft is now under consideration of the Kazakhstan Government.

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